Virgin Records America, Inc v. Thomas Doc. 284

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA

CAPITOL RECORDS, INC., *et al.*,

Plaintiffs,

vs.

JAMMIE THOMAS,

Defendant.

Case No.: 06cv1497-MJD/RLE

PLAINTIFFS' MOTION IN LIMINE TO PRECLUDE DEFENDANT FROM ASSERTING AN INNOCENT INFRINGEMENT DEFENSE AT TRIAL

In Defendant's proposed jury instructions provided to Plaintiffs just yesterday, two weeks before trial, Defendant indicated for the first time in this case that she intends to seek a reduction in statutory damages under 17 U.S.C. § 504(c)(2), the so-called "innocent infringement" affirmative defense. (*See* Def.'s Jury Instr. No. 13, draft version sent to Pls.' on May 31, 2009, attached as **Exhibit A**.) Plaintiffs respectfully move *in limine* for entry of an order precluding Defendant from asserting this affirmative defense at this late stage of these proceedings.

As demonstrated below, the affirmative defense of innocent infringement is not available to Defendant for at least two reasons. First, Defendant has never asserted this affirmative defense until now and, therefore, has waived the defense and should not be permitted to raise it for the first time on the eve of trial. Second, 17 U.S.C. § 402(d) of the Copyright Act precludes Defendant from asserting this defense as a matter of law because Plaintiffs placed proper notices of copyright on the published copies of their copyrighted works to which Defendant had access. *See BMG Music v. Gonzalez*, 430 F.3d 888, 892 (7th Cir. 2005) (barring assertion of innocent infringement defense in context virtually identical to this one); *Atlantic Recording Corp. v. Anderson*, 2008 WL 2316551, at *9 (S.D. Tex. Mar. 12, 2008) (finding it would be "inappropriate" to allow an innocent infringement defense in a case with similar facts).

Dockets.Justia.com

ARGUMENT

I. Defendant Is Precluded From Raising An Innocent Infringement Defense Because She Never Asserted Such A Defense In This Case.

Under Rule 8, a party must "affirmatively state any avoidance or affirmative defense" when responding to a pleading. *See* Fed. R. Civ. P. 8(c)(i). An affirmative defense that is not raised in Defendant's answer is waived. *See Bechtold v. City of Rosemount,* 104 F.3d 1062, 1068 (8th Cir. 1997) (under Rule 8(c), affirmative defenses "must generally be pled or else they may be deemed waived."). The requirement under Rule 8 that a party affirmatively state any affirmative defense in a response to a pleading is borne out of a need for fairness. A plaintiff needs to have some notice of an imposition of an affirmative defense in order to take discovery and prepare witnesses. In the absence of such notice, a plaintiff will be unable to adequately prepare a case for trial.

The ability of a defendant to receive a reduction in statutory damages under 17 U.S.C. § 504(c)(2) is commonly referred to as an "innocent infringement" defense. *See* 17 U.S.C. § 402(d) (referring to a reduction in statutory damages under 17 U.S.C. § 504(c)(2) as an "innocent infringement" defense). The effect of an innocent infringement defense is to mitigate damages available under the Copyright Act. *See Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 123 (2d Cir. 2001). The law in the Eighth Circuit is clear that the affirmative defense of mitigation of damages must be plead as an affirmative defense. *Modern Leasing, Inc. v. Falcon Mfg. of California, Inc.,* 888 F.2d 59, 62 (8th Cir. 1989) (finding, in the context of a failure to plead the affirmative defense of mitigation that, failure to plead an affirmative defense "results in a waiver of that defense and its exclusion from the case."); *see also Sayre v. Musicland Group, Inc., Subsidiary of American Can Co.*, 850 F.2d 350, 353 (8th Cir. 1988) (affirming district court's refusal to instruct the jury on mitigation of damages for neglecting to plead it as an affirmative defense). The defendant asserting the defense bears the burden of proof. *See* 17 U.S.C. § 504(c)(2) (stating that, subject to the limitations set forth in section 402(d), a court may reduce an award of statutory damages not less than $200 "[i]n a case ***where the infringer sustains the burden of proving*** . . . that such infringer was not aware and had no reason to believe that [her] acts constituted an infringement of copyright" (emphasis added)).

Here, Defendant never asserted an innocent infringement defense in this case and did not inform Plaintiffs of this intent until yesterday. In her Answer (Doc. No. 3) filed on May 30, 2006, Defendant asserted affirmative defenses but did not assert an innocent infringement defense. Similarly, during the first trial in this matter in October 2007, Defendant never asserted an innocent infringement defense or argued that the Court should instruct the jury on this issue. Indeed, the first time that Defendant asserted the innocent infringement defense in this case was yesterday—over three years after Plaintiffs initiated this lawsuit and over two years after the close of discovery. As a result, Plaintiffs would be prejudiced if Defendant were allowed to assert the defense at the last minute, with Plaintiffs having no opportunity of discovery on the issue. For these reasons, Defendant has waived the innocent infringement defense in this case and the ability to receive a reduction in statutory damages under 17 U.S.C. § 504(c)(2).

II. As A Matter Of Law, Defendant Is Not Entitled To Seek A Reduction From The Minimum Amount Of Statutory Damages.

Defendant is also barred as matter of law from seeking a reduction in statutory damages under 17 U.S.C. § 504(c)(2) based on Plaintiffs' compliance with 17 U.S.C. § 402(d). Section 402(d) expressly limits the application of the section 504(c)(2) "innocent infringement" defense and precludes a defendant from asserting the defense where a proper notice of copyright has been placed on the published work and where the defendant "had access" to the published work. 17 U.S.C. § 402(d). Specifically, section 402(d) provides in relevant part:

> If a notice of copyright in the form and position specified by this section appears on the published phonorecord or phonorecords to which a defendant in a copyright suit *had access*, then *no weight shall be given* to such a defendant's interposition of a defense based upon innocent infringement in mitigation of actual or statutory damages.

17 U.S.C. § 402(d) (emphasis added). As a leading copyright treatise explained, in discussing the interaction between sections 402(d) and 504(c)(2):

> *[W]hen a valid notice appears on published copies* or phonorecords to which the defendant in an infringement suit *had access*, then *no weight is given* to that defendant's interposition of an innocent infringement defense in mitigation of . . . statutory damages.

4-14 *Nimmer on Copyright* § 14.04 (emphasis added). Thus, a proper copyright notice "*will absolutely defeat* a defense . . . based on allegedly innocent infringement." 2-7 *Nimmer on Copyright* § 7.02[c][3] (emphasis added). The innocent infringement defense is reserved for those cases where a copyright holder fails to place a notice of copyright on the work infringed. *See* Senate Judiciary Committee Report, S. Rep. 100-352, at 43 (1988), *reprinted in* 1988 U.S.C.C.A.N. 3740-3741 (attached as **Exhibit B** hereto) (describing Congress' intent to create an incentive for copyright holders to include notice on copyrighted works by "prevent[ing] an attempt by an infringer to mitigate damages" through an innocent infringement defense); *see also* 2-7 *Nimmer on Copyright* § 7.02[c][3] (a proper copyright notice "will absolutely defeat a defense . . . based on allegedly innocent infringement"). .

By statute, therefore, the standard for application of section 402(d) is whether an infringing defendant "had access" to published copies of CDs bearing the proper copyright notice. 17 U.S.C. § 402(d); *see also Gonzalez*, 430 F.3d at 892 (holding that it does not matter that an infringer "downloaded data rather than discs, and the data [may have] lacked copyright notices, but the statutory question is whether 'access' to legitimate works was available rather than whether infringers earlier in the chain attached copyright notices to the pirated works.").

Here, Plaintiffs placed proper copyright notices in the form and position specified by section 402 on the published copies of the sound recordings at issue, and Defendant stipulated to this very fact. (*See* Stipulation of Uncontested Facts and Matters Not In Controversy, Doc. No. 273, ¶ 1.) Furthermore, it is undisputed that Defendant had access to the published copies of these works. First, Defendant worked at Best Buy for two years beginning in 2000, a store that sells published copies of the sound recordings at issue and where Defendant regularly had access to the copyright notices. (*See* Jammie Thomas Dep. 25:12-18, attached hereto as **Exhibit C**.) Second, Defendant admits that she owns her own CDs and has purchased her own CDs for years. (*Id.* 47:6-19, Ex. C.) Third, Defendant admits she has seen the copyright notices on the CDs she owns and that she had access to these copyright notices prior to the filing of this lawsuit. (*Id.* 123:10-126:10, Ex. C; Trial Transcr. 421:11-423:5, Doc. No. 221, attached hereto as **Exhibit D**.) As Defendant testified in her deposition in regards to the 239 CDs that she owned:

> Q. So it's your testimony that you had never read or never seen any of the copyright restrictions on those CDs before today?
>
> A. Might have noticed them, but never read them.
>
> Q. But you understood that, at least these albums here, were copyrighted sound recordings? Did you understand that?
>
> A. Yes.
>
> Q. And, in fact, without looking through the entire box, most of the CDs in those boxes are copyrighted sound recordings; right?
>
> A. Yes.
>
> Q. You understood that?
>
> A. Yes.
>
> Q. And you understood that when you bought them; right?
>
> A. Yes.

(Jammie Thomas Dep. 125:18-126:10, Ex. C.)

Like the defendant in *Gonzalez*, Defendant here clearly had "access" to published copies of Plaintiffs' copyrighted works carrying proper notices of copyright. Therefore, because Defendant had access, she is precluded from seeking a reduction in damages below the statutory minimum under section 504(c) as a matter of law. *See* 17 U.S.C. § 402(d); *Gonzalez*, 430 F.3d at 892 ("the statutory question is whether 'access' to legitimate works was available"); *see also UMG Recordings, Inc. v. Cuccia*, Case No. 06-C-638-C, slip op. at 4-5 (W.D. Wis. Aug. 6, 2007) (attached as **Exhibit E** hereto) (rejecting the innocent infringement defense in a similar case and holding that "a defendant may not prevail on this argument when the copyright notice has been properly displayed on published copies of the recordings and defendant had access to these copies."); *Original Appalachian Artworks, Inc. v. J.F. Reichert, Inc.*, 658 F. Supp. 458, 464-65 (E.D. Pa. 1987) (rejecting "the defendant's contention that he should be treated as an 'innocent' infringer" where the works at issue carried proper copyright notices).

CONCLUSION

WHEREFORE, Plaintiffs ask that Defendant be precluded from asserting an innocent infringement defense and seeking a reduction in statutory damages under 17 U.S.C. § 504(c)(2) at trial.

A form of order is attached for the Court's convenience.

Respectfully submitted this 1st day of June 2009.

/s/ Timothy M. Reynolds
Timothy M. Reynolds (pro hac vice)
David A. Tonini (pro hac vice)
Andrew B. Mohraz (pro hac vice)
HOLME ROBERTS & OWEN LLP
1700 Lincoln, Suite 4100
Denver, Colorado 80203
Telephone: (303) 861-7000
Facsimile: (303) 866-0200

Felicia J. Boyd (No. 186168)
Leita Walker (No. 387095)
FAEGRE & BENSON LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, Minnesota 55402-3901
Telephone: (612) 766-7000
Facsimile: (612) 766-1600

ATTORNEYS FOR PLAINTIFFS